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ABSTRACT

This monograph on proprietary vocational education provides an overview of proprietary education which is intended for vocational educators who may not be familiar with proprietary schools. The author begins with a description of numbers and types of proprietary schools and includes information on population characteristics, chartering, licensing, accreditation, patterns of corporate organization, and enrollment statistics. Distinctive operating characteristics are then discussed, such as length of programs and costs; student recruitment; instructional methods and faculty; and placement services. The nature of proprietary school students, training outcomes, consumer abuse and government regulation are also discussed. In conclusion, the author summarizes prospects for the future. (BM)

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Information Series No. 197

# PROPRIETARY VOCATIONAL EDUCATION

written by

Steven M. Jung

American Institutes for Research

National Center for Research in Vocational Education
The Ohio State University
1960 Kenny Road
Columbus, Ohio
1980

CE 025 421

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## FOREWORD

Vocational educators in the public postsecondary system have traditionally viewed proprietary schools with some reservation because they are operated on a profit-seeking basis and compete with public institutions for students. Proprietary schools have, however, provided a significant portion of vocational training in this country since the Colonial period. The Education Amendments of 1972 mandated that proprietary school representatives participate in all federally funded efforts to coordinate postsecondary education planning in the states. Proprietary schools are also eligible to contract with local education agencies to provide vocational training programs supported through the Vocational Education Act of 1963.

Despite higher tuition costs, proprietary schools have attracted students through their ability to provide short-term, job-specific types of training. Furthermore, it is expected that proprietary enrollments will continue to flourish. This fact, and an attempt to pass a more stringent and controversial trade regulation rule affecting proprietary nondegree-granting vocational and home-study schools, make this a topic of considerable interest to vocational educators. This paper presents a comprehensive picture of proprietary schools, discussing their size, organization and operation, students, graduates, problems, and prospects. Data include unpublished tabulations provided by the National Center for Education Statistics (NCES).

"Proprietary Vocational Education" is one of three benchmark monographs produced during the second year of the National Center's knowledge transformation program. Papers in each topic area are intended to communicate knowledge and, where appropriate, suggest applications. This series should be of interest to all vocational educators, including administrators and policy makers, federal agency personnel, researchers, and the National Center staff.

The profession is indebted to Dr. Steven M. Jung for his scholarship in preparing this paper. Recognition is also due Mr. Stephen B. Friedheim, president, Association of Independent Colleges and Schools, and Dr. William B. Richardson, Purdue University, for their critical review of the manuscript. Dr. Carol P. Kowle supervised publication of the series. Mrs. Ann Kangas and Mrs. Margaret Starbuck assisted.

Robert E. Taylor
Executive Director
National Center for Research in
Vocational Education

# INTRODUCTION

Proprietary schools have provided a significant portion of vocational training in America since the Colonial period. Yet they have only recently begun to be formally recognized as members of the postsecondary educational community. In Section 1202 of the 1972 Education Amendments, Congress mandated that proprietary school representatives should participate in all federally funded efforts to coordinate postsecondary education planning in the states. Further, since 1965, students in proprietary vocational schools have been eligible for federally insured student loans. Eligibility for basic educational opportunity grants, direct students loans, and other Higher Education Act Title IV programs of federal assistance to students was added in 1972. In addition, proprietary schools have long been eligible for participation in veteran's benefit programs under the G.I. Bill, human resource training programs under the Comprehensive Employment and Training Act (CETA) and the Work Incentive (WIN) program, and survivor's educational benefit programs under the Social Security Act. Finally, proprietary schools are eligible to contract with local education agencies to provide vocational training programs supported through the Vocational Education Act, although they are used infrequently.

Perhaps because they are operated on a profit-seeking basis, proprietary schools have generally been held in low esteem by members of the educational establishment, including teachers, counselors, and, to some extent, government policy makers. Fulton (1969) noted that "proprietary education has been viewed often as a hardy weed in the academic garden" (p. 1022). Yet with estimated enrollments in the millions, these schools cannot be ignored in any serious attempt to understand available vocational education resources.

This monograph provides an overview of proprietary education: its size, its methods of organization and operation, its students, its graduates, and its problems and prospects in the years ahead. The author has attempted to provide an overview especially suited for vocational educators who may not be familiar with proprietary schools. With the use of resources in the ERIC document retrieval system, an attempt has also been made to locate and reference all of the major published research on this topic since Trivett's 1974 review.

Much of the statistical data reported here were obtained from the National Center for Education Statistics (NCES). Since 1971, NCES has been conducting periodic surveys of private vocational schools. Although these surveys were originally subject to unusually serious problems of population definition and nonresponse, many of these problems have been overcome, making the

NCES data the single most useful source of information on proprietary schools. For researchers who have spent years coping with spotty and unreliable data on these specialized schools, this situation is a welcomed change. Evelyn Kay at NCES graciously provided many previously unpublished tabulations for inclusion in this monograph.

## NUMBERS AND TYPES OF PROPRIETARY SCHOOLS

### Population Characteristics

The population of proprietary schools has never been well defined. Although the word proprietary suggests that such schools are normally organized as private profit-seeking and tax-paying businesses, Jung, Hamilton, Helliwell, and Wheeler (1977b) found that the term is sometimes extended by state officials to include private not-for-profit institutions. The unclear status of such nonprofit vocational schools (not really proprietary, not public) complicates the task of researchers and statisticians who are interested in drawing boundaries and making comparisons. As used in this monograph, proprietary will refer only to profit-seeking schools. On those occasions when private nonprofit schools are included in reported data, that fact will be noted.

Although proprietary schools offer a wide array of programs, several major types of schools will be excluded from this discussion. Those schools that offer programs characterized as "avocational," such as ballroom dancing, personal charm, hobbies, and leisure pursuits will not be included here. Remaining is a universe of approximately 6,000 schools, offering courses mainly in business, trade and technical fields, barbering and cosmetology, allied health, and flight training. The most recent population data published by the National Center for Education Statistics (NCES) on postsecondary schools with occupational programs (Kay, 1979) are presented in table 1.

Table 1 shows that proprietary vocational schools are more numerous than public or private nonprofit schools. Of the 1,044 schools in the latter category, two-thirds are small single-purpose hospital schools of nursing. Table 1 also shows that 442 private schools offering occupational programs (also primarily in the nonprofit sector) are classified as junior or community colleges and universities. This collegiate sector is normally excluded in considering the characteristics of private vocational schools.

Approximately 100 of the 6,000 proprietary vocational schools shown in table 1 offer instruction by correspondence (Kay and Switlik, 1978). As will be seen later, this small segment

Table 1. Number of Postsecondary Schools with Occupational Programs by Control and by Type of School: 1978.

| Type of School* | Total Schools | Public | Private | |
|---|---|---|---|---|
| | | | Proprietary | Independent Nonprofit |
| TOTAL | 9,337 | 1,955 | 5,948 | 1,434 |
| Vocational/Technical | 618 | 506 | 86 | 26 |
| Technical Institute | 235 | 122 | 95 | 18 |
| Business/Commercial | 1,301 | 4 | 1,248 | 49 |
| Cosmetology/Barber | 2,163 | 0 | 2,162 | 1 |
| Flight School | 1,064 | 5 | 1,055 | 4 |
| Trade School | 750 | 14 | 650 | 86 |
| Arts/Design | 254 | 0 | 228 | 26 |
| Hospital School | 917 | 147 | 18 | 752 |
| Allied Health | 359 | 114 | 198 | 47 |
| Junior/Community College | 989 | 788 | 13 | 188 |
| University/College | 495 | 254 | 8 | 233 |
| Other | 192 | 1 | 187 | 4 |

*School types defined in Appendix A. Includes correspondence schools.

SOURCE: Kay, E. R. Directory of Postsecondary Schools with Occupational Programs: 1978. Washington, D.C.: National Center for Education Statistics, 1979, p. xvi.

accounts for a disproportionately large number of enrollments in proprietary schools. These home-study schools offer a wide range of courses, but the preponderance is in trades and industry, such as electronics, truck driving, hotel management, and auto repair. For programs of study requiring on-the-job as well as written instruction, such as truck driving or machine operation, some correspondence schools also offer resident training options.

In contrast to the correspondence schools and most public post-secondary vocational schools, resident noncollegiate proprietary schools tend to offer a limited range of programs. More than 50 percent of these schools are small and highly specialized, offering instruction in the fields of barbering, cosmetology, and aircraft piloting. Of the remaining 50 percent, business schools and trade and technical schools constitute the majority. Many of the published research studies on proprietary schools in the past fifteen years have concentrated on these schools, both because

they are larger and because their owners and national associations have moved actively to seek increased participation in government policy making regarding postsecondary education, particularly federal and state financial assistance programs.

Unlike the population of public vocational schools, which tends to be relatively stable, the universe of proprietary schools is subject to considerable fluctuation. This is especially true for the small single purpose "fringe" schools, which are subject to the enterpreneurial difficulties of all small businesses. One example is provided by the Wolman, Campbell, Jung, and Richards (1972) study of 150 schools in 4 major metropolitan areas. Wolman identified these schools primarily by referring to the telephone company yellow pages. During the 9-month period in which her study was being conducted, she reported that 37 schools (or about 25 percent of the schools in these 4 cities) went out of business. Another 8 schools (5 percent) merged with other schools in the same locale. Since that time, however, stronger state licensing provisions enacted in most states and a growing tendency for corporate school ownership have reduced the proportion of marginal operations. The biannual NCES surveys of private vocational schools conducted regularly since 1974 have encountered more and more stability in this school population, as the number of smaller schools has dropped.

Table 2 provides an estimate of the numbers of resident noncollegiate private schools excluding correspondence schools for 1974, 1976, and 1978, along with estimates of the percentage changes across this time period. Care should be taken in interpreting some of the apparent drastic decreases in certain types of schools. For the 1978 survey, NCES redefined its school typology, adding separate categories for schools of arts/design and allied health. The schools that fell into those categories were formerly classified as vocational/ technical or technical institutes. Table 2 shows that proprietary flight schools and nonprofit hospital nursing schools have experienced the most striking numerical declines. Many hospital schools are also becoming affiliated with colleges and universities, reflecting a change toward more academic, degree-oriented nursing schools and allied health programs. The numbers of trade schools in the proprietary sector, on the other hand, have increased modestly, while the numbers of business schools have remained steady. An explanation of the new NCES school typology is included in Appendix A.

## Chartering, Licensing, and Accreditation

In order to do business as an educational institution in any state, a private school is required to obtain a license or a corporate charter. In a few cases, this involves nothing more

**TABLE 2.** *Number, Percent Distribution, and Percent Change of Private Resident Noncollegiate Postsecondary Schools with Occupational Programs, by Control and Type of School: 1974, 1976, and 1978.*

| Control and Type of School | Number of Schools | | | Percent Distribution* | | | Percent Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1974 | 1976 | 1978 | 1974 | 1976 | 1978 | 1974-78 | 1974-76 | 1976-78 |
| *All Private Schools* | 7824 | 7509 | 6813 | 100.0 | 100.0 | 100.0 | −12.9 | − 4.0 | − 9.3 |
| Vocational/Technical** | 588 | 139 | 102 | 7.5 | 1.9 | 1.5 | −82.7 | −76.4 | −26.6 |
| Technical Institute** | 163 | 172 | 92 | 2.1 | 2.3 | 1.4 | −43.6 | 5.5 | −46.5 |
| Business/Office | 1241 | 1220 | 1245 | 15.9 | 16.2 | 18.3 | .3 | − 1.7 | 2.0 |
| Cosmetology/Barber | 2401 | 2325 | 2163 | 30.7 | 31.0 | 31.7 | − 9.9 | − 3.2 | − 7.0 |
| Flight | 1477 | 1361 | 1059 | 18.9 | 18.1 | 15.5 | −28.3 | − 7.9 | −22.2 |
| Trade | 678 | 745 | 702 | 8.7 | 9.9 | 10.3 | 3.5 | 9.9 | − 5.7 |
| Arts/Design** | – | 255 | 246 | – | 3.4 | 3.6 | – | – | − 3.5 |
| Hospital | 1077 | 897 | 770 | 13.8 | 11.9 | 11.3 | −28.5 | −16.7 | −14.2 |
| Allied Health** | – | 214 | 241 | – | 2.8 | 3.5 | – | – | 12.6 |
| Other | 199 | 181 | 193 | 2.4 | 2.5 | 2.9 | − 3.0 | − 9.0 | 6.6 |
| *Proprietary Schools* | 6512 | 6435 | 5814 | 100.0 | 100.0 | 100.0 | −10.7 | − 1.2 | − 9.7 |
| Vocational/Technical** | 515 | 562 | 76 | 7.9 | 8.7 | 1.3 | −85.2 | 9.1 | −86.5 |
| Technical Institute** | 150 | 166 | 83 | 2.3 | 2.6 | 1.4 | −44.7 | 10.7 | −50.0 |
| Business/Office | 1208 | 1203 | 1201 | 18.5 | 18.7 | 20.7 | − .6 | − .4 | − .2 |
| Cosmetology/Barber | 2397 | 2307 | 2162 | 36.8 | 35.9 | 37.2 | − 9.8 | − 3.8 | − 6.3 |
| Flight | 1472 | 1361 | 1055 | 22.6 | 21.1 | 18.1 | −28.3 | − 7.5 | −22.5 |
| Trade | 571 | 599 | 616 | 8.8 | 9.3 | 10.6 | 7.9 | 4.9 | 2.8 |
| Arts/Design** | – | – | 220 | – | – | 3.9 | – | – | – |
| Hospital | 24 | 14 | 18 | .4 | .1 | .3 | −25.0 | −41.7 | 28.6 |
| Allied Health** | – | – | 195 | – | – | 3.4 | – | – | – |
| Other | 175 | 223 | 188 | 2.7 | 3.5 | 3.2 | 6.3 | 27.4 | −16.6 |
| *Nonprofit Schools* | 1312 | 1074 | 999 | 100.0 | 100.0 | 100.0 | −23.9 | −18.1 | − 7.0 |
| Vocational/Technical** | 73 | 41 | 26 | 5.6 | 3.8 | 2.6 | −64.4 | −43.8 | −36.6 |
| Technical Institute** | 13 | 5 | 9 | 1.0 | .5 | 1.0 | −30.8 | −61.5 | 80.0 |
| Business/Office | 33 | 17 | 44 | 2.5 | 1.6 | 4.4 | 33.3 | −48.5 | 158.8 |
| Cosmetology/Barber | 4 | 19 | 1 | .3 | 1.8 | .1 | −75.0 | 375.0 | −94.7 |
| Flight | 5 | 0 | 4 | .4 | 0 | .4 | −20.0 | −100.0 | – |
| Trade | 107 | 102 | 86 | 8.2 | 9.5 | 8.6 | −19.6 | − 4.7 | −15.7 |
| Arts/Design** | – | – | 26 | – | – | 2.6 | – | – | – |
| Hospital | 1053 | 883 | 752 | 80.2 | 82.2 | 75.3 | −28.6 | −16.1 | −14.8 |
| Allied Health** | – | – | 46 | – | – | 4.6 | – | – | – |
| Other | 24 | 7 | 5 | 1.8 | .7 | .5 | −79.2 | −70.8 | −28.6 |

*Percentages may not add to 100% because of rounding.

**Changes in definition occurred between 1976 and 1978 for these school types. For 1976, schools in the all private category have been rearranged into the new typology.

SOURCE: Kay, E.R. *Enrollments and Programs in Noncollegiate Postsecondary Schools: 1978.* Washington, D.C.: National Center for Education Statistics, 1980.

than paying a fee to the Secretary of State or local business taxing authority. In recent years, however, most states have begun to require, as a condition of licensing, that schools meet certain operating criteria designed to ensure fair business practices and eliminate substandard operations. Jung et al. (1977b) noted that forty-seven states and the District of Columbia now have requirements for proprietary school licensing over and above requirements for obtaining a business charter. (Only Missouri, Utah, and Vermont do not.) Most often required are surety bonds, observance of health and safety standards, truth in advertising, and minimum course content in certain regulated fields.

Accreditation of schools is entirely different from state chartering and licensing. (Even though a few states insist on calling their licensing function "accreditation," only one state, New York, is listed by the U.S. Office of Education as a nationally recognized accrediting agency.) Accreditation is voluntary and is performed by nongovernmental associations of schools. These associations were created to recognize schools that meet their own quality standards and to assist their members in improving the quality of instruction offered, relative to their stated educational goals. About 40 percent of the 6,000 proprietary schools listed in tables 1 and 2 are accredited, but these tend to be the larger schools, enrolling over two-thirds of all students in proprietary schools.

Although accreditation is voluntary, it is desired by many schools because it is regarded by the public as evidence of quality. It is also a prerequisite for institutional participation in many federal assistance programs. Four national associations accredit the majority of proprietary schools:

- The Accrediting Commission of the Association of Independent Colleges and Schools (formerly the United Business Schools Association) accredits noncollegiate business schools and junior and senior colleges of business. Formed in 1962 by the merger of two associations, one dating from 1912, AICS has been a recognized accrediting agency since 1956. It requires applicants and member schools to: meet basic state licensing requirements; have been in business at least 2 years; meet or exceed stated standards for facilities, faculty, and student services; and adhere to basic ethical standards that include a partial pro rata tuition refund policy. AICS currently accredits 520 schools, of which over 100 are authorized to grant at least the associate degree.

- The Accrediting Commission of the National Association of Trade and Technical Schools accredits noncollegiate trade and technical schools. Formed in 1965, NATTS has membership standards similar to those of AICS. There are currently 548 member institutions located in 48 states. Over 80 of these schools award at least the associate degree.

- The National Home Study Council was organized in 1926 and became a formal accrediting body in 1955. Its standards focus on elements thought to be essential for successful correspondence instruction, as well as ethical business practice. Currently 90 institutions hold NHSC accreditation.

- The Cosmetology Accreditation Commission is a relative newcomer to this field, having been created in 1968 by the merger of two smaller associations. CAC currently recognizes over 1,100 noncollegiate schools of cosmetology.

The accreditation process for proprietary schools has been adapted from the traditional process practiced by the major regional accreditation agencies that have shaped educational quality standards and monitored quality in the collegiate sector since the early 1900s. A few degree-granting proprietary schools have applied for and received regional accreditation, and this trend is accelerating as the major regional associations drop their prohibitions against proprietary schools. For accreditation, an institutional self-study is required, showing qualifications relative to the association's published standards and the institution's own stated educational mission. The self-study is then verified and other observations are made by a team of peers selected by the association from member institutions. In addition to peers from other member institutions, these teams may also include representatives of large employing organizations and professional vocational educators. Final accreditation decisions are made by an independent decision-making body composed of association members and public representatives. If the decision to accredit is favorable, membership can be extended for periods of from one to six years. Accreditation can also be withheld, suspended in the event of a change of ownership, or terminated for violation of association standards.

## Patterns of Corporate Organization

There are several forms of corporate organization among proprietary schools. In recent years, however, proprietary schools have been moving from more traditional patterns of ownership by individual entrepreneurs to corporate ownership. Trivett (1974) identifies five types of school organization. Sole proprietorships are the so-called "Mom and Pop" operations owned and operated by one person. Although this was once the most common type of proprietary school, it is now relatively rare. Partnerships are owned by a limited number of individuals, each of whom is financially and legally responsible for the conduct of the school's business. Corporate ownership, which legally separates owners from personal responsibility for business debts and other obligations, is now the most common form of proprietary school organization.

Three types of corporate operations have been identified: single schools, chain or branch schools, and franchise operations. The chain school pattern involves ownership by the same corporation of several schools in different locations. In the franchise school pattern, a corporation sells franchises, usually including the right to use a corporate name, to individual entrepreneurs or other corporations. The owner of the franchise usually operates the school with the aid of management services also sold by the parent corporation. While the latter two types of operation flourished in the early and mid 70s, especially following the increase in federal assistance available to proprietary students under the Education Amendments of 1972, the trend has apparently reversed in recent years. Only a few large corporations, such as ITT, Control Data Corporation, and Bell and Howell, remain in the proprietary school industry.

## Proprietary School Enrollments

Since 1974, the National Center for Education Statistics (NCES) has conducted surveys to estimate the enrollments of private vocational schools. Estimates for 1978 indicate total enrollments in excess of one million students (Kay, 1979). Comparisons of 1974, 1976, and 1978 enrollment statistics for the various types of private noncollegiate resident schools are shown in table 3.

Enrollments in the proprietary school sector are highest, due largely to the fact that hospital nursing schools with relatively small enrollments constitute a large segment of the private not-for-profit sector. Within the proprietary sector, over 265,000 enrollments are in correspondence schools (Kay, 1980). Counting these enrollments, which are not shown in table 3, the total 1978 enrollment in proprietary vocational schools was nearly 1.2 million students.

When the resident student enrollment estimates from 1974 through 1978 are compared, they indicate that enrollments in noncollegiate proprietary schools have been increasing rapidly (19.1 percent from 1976 through 1978) despite a decrease in the number of schools. In comparison, enrollment increases are smaller for all postsecondary occupational schools (6.9 percent from 1976 through 1978). Increases have been particularly noticeable in business/office (28.1 percent) and trade/industry (36.4 percent) schools.

The 12 most frequently offered programs in these schools are shown in table 4. These programs account for almost 50 percent of the total enrollments. Nearly 150 other vocational programs account for the remaining 50 percent (Kay, 1980).

**TABLE 3.** *Number of Students, Percent Distribution, and Percent Change in Private Resident Noncollegiate Postsecondary Schools with Occupational Programs, by Control and Type of School: 1974, 1976, and 1978.*

| Control and Type of School | Enrollments (000s) | | | Percent Distribution* | | | Percent Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1974 | 1976 | 1978 | 1974 | 1976 | 1978 | 1974-78 | 1974-76 | 1976-78 |
| *Private* | 887.4 | 930.7 | 1043.4 | 100.0 | 100.0 | 100.0 | 17.6 | 4.9 | 12.1 |
| Vocational/Technical** | 112.6 | 127.7 | 73.2 | 12.7 | 13.7 | 7.0 | −35.0 | 13.4 | −42.7 |
| Technical Institute** | 49.3 | 50.6 | 23.5 | 5.5 | 5.4 | 2.3 | −52.3 | 2.6 | −53.5 |
| Business/Office | 319.7 | 338.4 | 439.2 | 36.0 | 36.4 | 42.1 | 37.4 | 5.8 | 29.8 |
| Cosmetology/Barber | 113.6 | 132.1 | 132.4 | 12.8 | 14.2 | 12.7 | 16.5 | 16.3 | .2 |
| Flight | 75.0 | 67.4 | 62.9 | 8.5 | 7.2 | 6.0 | −16.1 | −10.1 | − 6.7 |
| Trade | 126.3 | 123.5 | 155.1 | 14.2 | 13.3 | 14.9 | 22.8 | − 2.2 | 25.6 |
| Arts/Design** | – | – | 36.8 | – | – | 3.5 | – | – | – |
| Hospital | 62.7 | 61.3 | 42.8 | 7.1 | 6.6 | 4.1 | −31.7 | − 2.2 | −30.2 |
| Allied Health** | – | – | 46.5 | – | – | 4.4 | – | – | – |
| Other | 28.2 | 29.7 | 31.0 | 3.2 | 3.2 | 3.0 | 9.9 | 5.3 | 4.3 |
| *Proprietary* | † | 778.9 | 927.8 | † | 100.0 | 100.0 | † | † | 19.1 |
| Vocational/Technical** | | 85.3 | 66.0 | | 10.9 | 7.1 | | | −22.6 |
| Technical Institute** | | 48.8 | 21.3 | | 6.3 | 2.3 | | | −56.1 |
| Business/Office | | 330.2 | 423.1 | | 42.4 | 45.6 | | | 28.1 |
| Cosmetology/Barber | | 131.6 | 132.4 | | 16.9 | 14.3 | | | .5 |
| Flight | | 67.4 | 62.6 | | 8.6 | 6.7 | | | − 7.1 |
| Trade | | 85.1 | 116.1 | | 10.9 | 12.5 | | | 36.4 |
| Arts/Design** | | – | 32.4 | | – | 3.5 | | | – |
| Hospital | | 2.1 | 1.6 | | .3 | .2 | | | −23.8 |
| Allied Health** | | – | 42.6 | | – | 4.6 | | | – |
| Other | | 28.4 | 29.7 | | 3.6 | 3.2 | | | 1.8 |
| *Nonprofit* | † | 151.8 | 115.6 | † | 100.0 | 100.0 | † | † | −23.8 |
| Vocational/Technical** | | 42.4 | 7.2 | | 27.9 | 6.2 | | | −83.0 |
| Technical Institute** | | 1.8 | 2.2 | | 1.2 | 1.9 | | | 16.7 |
| Business/Office | | 8.2 | 16.1 | | 5.4 | 13.9 | | | 96.3 |
| Cosmetology/Barber | | .5 | 0 | | .3 | 0 | | | 0 |
| Flight | | 0 | .3 | | 0 | .3 | | | – |
| Trade | | 38.4 | 39.0 | | 25.3 | 33.7 | | | 1.6 |
| Arts/Design** | | – | 4.4 | | – | 3.8 | | | – |
| Hospital | | 59.2 | 41.2 | | 39.0 | 35.6 | | | −30.4 |
| Allied Health** | | – | 3.9 | | – | 3.4 | | | – |
| Other | | 1.3 | 1.3 | | .9 | 1.1 | | | 0 |

*Percentages may not add to 100% because of rounding.

**Changes in definition of type of school occurred in 1978.

† Not available for 1974.

SOURCE: Kay, E.R. *Enrollments and Programs in Noncollegiate Postsecondary Schools: 1978.* Washington, D.C.: National Center for Education Statistics, 1980

Table 4. Programs Offered and Enrollment in Private Resident Noncollegiate Postsecondary Schools with Occupational Programs: 1978.

| Programs | Number Offered | Number of Enrolled Students* |
|---|---|---|
| Cosmetology | 2,357 | 112,459 |
| Commercial Pilot | 2,255 | 54,786 |
| Secretary | 1,957 | 77,200 |
| Accounting | 793 | 22,534 |
| General Office | 536 | 12,334 |
| Nursing (all types) | 485 | 51,563 |
| Supervisory/Management | 410 | 31,022 |
| Radiologic Technology | 398 | 6,030 |
| Apparel | 317 | 27,684 |
| Commercial Art | 268 | 15,051 |
| Real Estate | 222 | 111,853 |
| Auto Mechanics (all types) | 221 | 22,623 |

*National enrollment estimates based only on sampled schools reporting charges and length of programs.

SOURCE: Kay, E. R. Enrollments and Programs in Noncollegiate Postsecondary Schools: 1978. Washington, D.C.: National Center for Education Statistics, 1980.

## DISTINCTIVE OPERATING CHARACTERISTICS

Unlike other forms of postsecondary education, the survival of proprietary education depends on its success in the marketplace. According to Erickson, Hill, Winokur, Atwater, and Guerrieri (1972), "Proprietary schools have a single, well-defined mission--specific occupational training aimed toward

full-time job placement in the shortest possible time. While this is a limited objective, it meets the needs in principle of students, owners, and administrators" (p. 35). Proprietary schools depend on income derived from student tuition receipts, continuous enrollment of new students for concentrated skill-oriented programs of limited length, and placement of graduates in training-related jobs.

As opposed to traditional institutions of higher education or public vocational schools, proprietary schools depend almost exclusively on income derived from student tuition and fees (Wolman et al., 1972). In view of the fact that proprietary schools often compete for students with public institutions in the same vicinity, this profit orientation represents a continuing obstacle to survival. Freeman (1973), in an evaluation of the manpower impact of proprietary occupational training, indicates that proprietary schools must carefully balance their profitability and attractiveness to students largely by adjusting their tuition costs.

With few endowments or revenues from alumni or friends, proprietary schools rarely offer scholarships. With the advent of student-based federal assistance programs such as Basic Educational Opportunity Grants (BEOG) and Federally Insured Student Loans (FISL), however, accredited proprietary schools can offer occupational training at competitive rates to the student. This at least partially explains the continuing enrollment increase in these schools. The abuses created by federal efforts to expand postsecondary educational opportunities will be examined later. In this section, some relatively unique operating characteristics of proprietary schools are discussed.

## Length of Programs and Costs

While direct costs to the student tend to be relatively high on a per-hour basis, proprietary school occupational programs are generally shorter than programs offered in other vocational schools. Courses tend to be intensive and job-oriented, often meeting several hours daily during periods of the day that minimize lost work time on the part of students (Freeman, 1973). Liberal arts requirements are rare, with the available instructional time being devoted primarily to those topics and skills that are thought to be prerequisite for successful job performance. Table 5 illustrates the average length and charges of private school programs in the seven major occupational disciplines, with public vocational school data shown for comparison. Charges include tuition, costs of books and supplies, and equipment rental fees. Housing, meals, and other personal costs are excluded. The NCES data in table 5 show the private school programs to be uniformly shorter and considerably more costly

than programs in other vocational schools, with the exception of the health area, which is influenced by longer diploma nursing programs in private nonprofit hospital schools. Available evidence regarding the comparative total costs of programs (i.e., including public tax revenues invested in public vocational programs) indicates that private school programs tend to be less costly than those offered in public vocational institutions. For example, Anderson and Barnes (1979) found that community colleges in Illinois that contracted with proprietary schools for certain trade programs (primarily cosmetology) offered these programs at lower cost. Cost comparisons are difficult to make, however, because of serious problems in allocating indirect costs for public occupational programs.

Table 5. Numbers of Programs Offered, Average Length (in Hours), and Average Charges in Resident Noncollegiate Postsecondary Schools with Occupational Programs, by Control and Vocational Discipline: 1978.

| Discipline | Number of Programs Offered | | Average Length in Hours | | Average Charges | |
|---|---|---|---|---|---|---|
| | Public | Private | Public | Private | Public | Private |
| Agribusiness | 158 | 21 | 1,115 | 888 | $326 | $2,514 |
| Marketing/ Distribution | 308 | 864 | 999 | 327 | $310 | $ 926 |
| Health | 1,048 | 1,567 | 1,214 | 1,977 | $454 | $1,664 |
| Home Economics | 126 | 24 | 803 | 481 | $344 | $1,149 |
| Business/Office | 1,095 | 4,496 | 956 | 903 | $270 | $1,821 |
| Technical | 401 | 2,673 | 1,844 | 249 | $586 | $2,317 |
| Trades/Industry | 3,697 | 4,955 | 1,214 | 1,026 | $315 | $1,155 |

SOURCE: Kay, E. R. Enrollments and Programs in Noncollegiate Postsecondary Schools: 1978. Washington, D.C.: National Center for Education Statistics, 1980. National estimates based only on sampled schools reporting complete data.

Table 6 illustrates the changes in average program costs over the period 1974-1978, in actual dollars and dollars adjusted for inflation. It shows that while average costs have increased, they have not generally kept pace with the increase in the Consumer Price Index.

**TABLE 6.** *Charges for Programs in Noncollegiate Postsecondary Schools with Occupational Programs, by Control and Vocational Discipline: 1974, 1976, and 1978.*

| Control and Program | 1974 Actual | 1974 Adjusted | 1976 Actual | 1976 Adjusted | 1978 Actual |
|---|---|---|---|---|---|
| *Public* | | | | | |
| Agribusiness | $ 418 | $ 561.3 | $ 483 | $ 545.4 | $ 326 |
| Marketing/Distribution | $ 249 | $ 333.4 | $ 279 | $ 315.0 | $ 310 |
| Health | $ 331 | $ 444.5 | $ 336 | $ 379.4 | $ 454 |
| Home Economics | $ 173 | $ 232.3 | $ 230 | $ 259.7 | $ 344 |
| Business/Office | $ 242 | $ 325.0 | $ 254 | $ 286.8 | $ 270 |
| Technical | $ 419 | $ 562.6 | $ 808 | $ 912.3 | $ 586 |
| Trades/Industry | $ 298 | $ 400.2 | $ 287 | $ 324.1 | $ 315 |
| TOTAL | $ 299 | $ 401.5 | $ 342 | $ 386.2 | $ 345 |
| *Private* | | | | | |
| Agribusiness | $ 926 | $1,322.3 | $1,848 | $2,086.6 | $2,514 |
| Marketing/Distribution | $1,214 | $1,630.2 | $1,055 | $1,191.2 | $ 926 |
| Health | $1,180 | $1,584.5 | $1,446 | $1,632.7 | $1,664 |
| Home Economics | $ 966 | $1,297.1 | $ 671 | $ 757.6 | $1,149 |
| Business/Office | $1,294 | $1,737.6 | $1,559 | $1,760.3 | $1,821 |
| Technical | $2,276 | $3,056.2 | $2,807 | $3,169.4 | $2,317 |
| Trades/Industry | $ 859 | $1,153.5 | $1,188 | $1 341.4 | $1,155 |
| TOTAL | $1,387 | $1,862.5 | $1,693 | $1,911.6 | $1,616 |

NOTE: Adjusted 1974 and 1976 to Consumer Price Index (CPI): 1977-78=100.
1974 actual was multiplied by 1.3428
1976 actual was multiplied by 1.1291

SOURCE: Kay, E.R. *Enrollments and Programs in Noncollegiate Postsecondary Schools: 1978.* Washington, D.C.: National Center for Education Statistics, 1980. National estimates based only on sampled schools reporting complete data.

## Student Recruitment

Proprietary schools emphasize student recruitment more than competing vocational training institutions. Since programs are generally shorter and may start monthly or even more frequently, recruiting is often continuous. Proprietary educators acknowledge that in order to survive, they must market their services to potential students by the most effective means available (Tolbert, 1979). Table 7 presents a summary of Wolman et al.'s (1972) data on recruiting methods used by the proprietary schools

in four major metropolitan areas. Trivett (1974) provides an example of the kinds of messages that are typical of mass advertising on the part of proprietary schools:

> Addressed to "resident," the brochure features a prominent . . . executive: "I think (x computer school) did more for me than college." It continues to stress the changing job picture for college graduates and appeals to high school graduates, veterans, college students, and college graduates. Several features of the school are (highlighted): "hands-on" training with a big-name computer on site, accreditation, veterans approval, day and evening classes, placement assistance, tuition financing (through federally insured loans), and "one-time" financing as opposed to "college expenses that can go on for four or more years." The mailer concludes with lists of businesses that have hired (the school's) graduates. (pp. 20-21)

Overzealous recruiting and exaggerated placement claims have been factors in the sometimes questionable reputation of proprietary schools. But as student enrollments have begun to level off and decline, there is also evidence that overzealous recruiting practices have begun to emerge in more traditional postsecondary schools (see Fiske, 1979 and later section on abuses and government regulation).

Table 7. Recruiting Methods Used by Proprietary Schools (N=50).

| Methods | N of Schools Using | % of Schools Using |
|---|---|---|
| Newspaper ads | 46 | 92% |
| Encouragement of referrals by former students | 43 | 86% |
| Yellow pages | 41 | 82% |
| Direct mail | 30 | 60% |
| Paid recruiters | 25 | 50% |
| (Commission) | (13) | (26%) |
| (Salary) | ( 3) | ( 6%) |
| (Salary + commission) | ( 9) | (18%) |
| High school presentations | 25 | 50% |
| Television | 25 | 50% |
| Radio | 18 | 36% |
| Other (including bus and subway cards, magazine ads, government agency referrals, etc.) | 18 | 36% |

SOURCE: Wolman, J. M.; Campbell, V. N.; Jung, S. M.; and Richards, J. M. Jr. A Comparative Study of Proprietary and Nonproprietary Vocational Training Programs. Palo Alto, CA: American Institutes for Research, 1972, pp. 49-50.

## Instructional Methods and Faculty

Proprietary school instruction is not drastically different from instruction in nonproprietary vocational schools. Depending on the nature of the program, teaching methods range from individualized instruction with tutoring through supervised work study to group instruction or lectures (Trivett, 1974). Since programs are concentrated and many students already hold jobs, cooperative education or work experience programs are rare.

The Wolman et al. (1972) study suggests that teacher-to-student ratios tend to be lower in proprietary schools than in larger public vocational schools, especially in vocational programs stressing a "shop" atmosphere. Perhaps the greatest difference between proprietary and nonproprietary vocational schools is in teaching faculty. Wolman et al. (1972) found proprietary school instructors to be younger, less likely to have a college degree, far less likely to be tenured, about equally likely to be employed concurrently or have been employed in work related to the field of instruction, and less well paid than instructors in nonproprietary schools. These differences reflect the basic instructional philosophy often expressed by proprietary school owners and directors: instruction should be job-oriented and efficient, with teaching rewards based directly on performance, especially in terms of the satisfaction and employment success of the students.

Remedial instructional services are of particular importance for students who are deficient in basic academic skills. Proprietary vocational schools, because of their small size and nonacademic orientation, are less likely than public schools to provide such services on a formal basis (Wolman et al., 1972). To date, the extent to which proprietary school instructors are able to infuse remedial instruction successfully has not been studied.

### Placement Services

Freeman (1973) observes that proprietary schools, in effect, sell placement services to their students as an integral part of the educational program. For proprietary school administrators, placement involves more than identifying possible job openings for graduating students. It involves maintaining continuous contact with potential employers, tailoring instructional program offerings to the nature of available job market openings, instructing students in needed job-seeking and job-holding skills, finding part-time jobs for students who need work, matching graduates to the available jobs, scheduling placement interviews, and following up on graduates' job success in order to keep program offerings up-to-date and effective. The proof of a sound placement service, of course, is its success in enabling graduates to obtain and keep new jobs.

## NATURE OF PROPRIETARY SCHOOL STUDENTS

A major distinguishing characteristic of proprietary school students is their future job orientation. Data from NCES' 1977 survey of students in noncollegiate postsecondary schools with

occupational programs[1] indicate that 77 percent of private school students selected schools because they had favorable placement records. The comparable figure for public vocational schools was 53 percent. Twenty-one percent indicated their choice was based primarily on the shorter length of the program, as compared to 16 percent of public vocational school students. Less than 10 percent of the students selected private schools primarily on the basis of lower costs, as compared to 36 percent of public school students. While fewer than 25 percent had taken a vocational program in high school, more than 90 percent had worked full- or part-time before enrolling in their current program. Seventy-nine percent of the private school students reported they planned to look for work in a field related to their training after graduation, as compared to 69 percent of students in public vocational schools. Twelve percent planned to continue in their current job, as compared to 21 percent of public school students. Ninety-four percent were seeking a diploma, license, or certificate as a result of their program, as compared to 86 percent of public school students.

Enrollment demographics for proprietary school students vary according to the occupational discipline in which the students are enrolled, as is true of public vocational school students. The office, cosmetology, and health fields accounted for more than 70 percent of all private vocational school enrollments by women in 1978. The technical and trade fields accounted for 60 percent of all male enrollments in 1978.

Students in private schools in 1977 tended to be younger than students in public vocational schools. Sixty-six percent of private school students were below age twenty-five, as compared to 56 percent of public school students. Private school students were less likely to have served in the armed forces (18 percent private vs. 25 percent public); more likely to be a member of a minority group (40 percent vs. 33 percent); slightly better educated (7 percent reporting less than a high school diploma vs. 9 percent; 24 percent reporting some previous college vs. 20 percent); slightly less likely to be attending classes 30 hours per week or more (48 percent vs. 62 percent) but more likely to

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[1]This survey was repeated in 1979 and will be conducted biannually in the future. It was conducted in a random sample of 10 percent of the school universe portrayed in table 1, excluding correspondence schools, flight schools, and schools offering only programs of less than three months' duration. As yet, only private school data are available, because analyses separating proprietary school students from nonprofit school students have not been performed. All information reported here is as yet unpublished by NCES.

be studying 10 hours per week or more (29 percent vs. 22 percent); slightly less likely to be working for pay while attending school (45 percent vs. 48 percent); and more likely to have come from families where a parent had attended some college (32 percent of fathers and 24 percent of mothers vs. 24 percent of fathers and 21 percent of mothers).

These data provide a student profile that is somewhat different from the conventional stereotypes. Private occupational school students are heavily job oriented. They are more likely to be well educated, come from well educated families, and be attending a school near their home. If not already working full- or part-time for pay, they are studying in preparation for a job. Most have been employed and are seeking to enter a new field, one they believe will be better than those they have already experienced.

## TRAINING OUTCOMES

A considerable amount of research has been devoted to the topic of whether private school students obtain better jobs as a result of their training. It is difficult, however, to obtain accurate data on this subject. Some of the problems involved in collecting these types of data include: (1) dropouts and even graduates are often difficult to locate for follow-up survey purposes; (2) even if valid follow-up responses could be obtained, it is often difficult to establish whether a respondent actively sought a job after training and whether the job is "training related"; (3) labor market and economic conditions may influence training outcomes more than the training itself. At the same time, a number of studies of training outcomes have been performed in proprietary schools and some tentative observations can be drawn.

### Dropouts and Completions

The biannual National Center for Education Statistics survey of postsecondary schools with occupational programs queries school administrators on the numbers of students who graduate ("completers") or leave their program with sufficient skills to obtain a job ("leavers"). Table 8 shows the percentages of reported completers and leavers for various types of resident noncollegiate schools, based on unpublished data from the 1978 survey. As shown in table 8, close to 70 percent of private school students were completers or leavers, as compared to nearly 55 percent of public school students. This suggests that approximately 30 percent of private school students drop out of programs before they are "employable," as compared to about 45 percent of public school students. These findings must be

**TABLE 8.** *Enrollments and Percent Completers and Leavers from Resident Noncollegiate Postsecondary Schools with Occupational Programs, by Type of School and Control: 1978.*

| Type of School | Total* | | | Public | | | Private | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total Enrollment (000s) | Percent of Total | | Total Enrollment (000s) | Percent of Total | | Total Enrollment (000s) | Percent of Total | |
| | | Completers (%) | Leavers (%) | | Completers (%) | Leavers (%) | | Completers (%) | Leavers (%) |
| Vocational/Technical | 478.4 | 42.8 | 9.9 | 405.2 | 42.1 | 9.8 | 73.2 | 63.0 | 6.9 |
| Technical Institute | 34.5 | 68.0 | 2.7 | 11.0 | 95.3 | ** | 23.5 | 44.5 | 5.1 |
| Business/Office | 440.5 | 59.4 | 9.7 | 1.3 | † | † | 439.2 | 59.4 | 9.7 |
| Cosmetology/Barber | 132.4 | 68.1 | 3.9 | – | – | – | 132.4 | 68.1 | 3.9 |
| Flight | 63.3 | 74.1 | 5.8 | .4 | † | † | 62.9 | 74.1 | 5.8 |
| Trade | 159.1 | 67.5 | 7.3 | 4.0 | 44.7 | ** | 155.1 | 67.7 | 7.3 |
| Arts/Design | 36.8 | 66.8 | 5.7 | – | – | – | 36.8 | 66.8 | 5.7 |
| Hospital | 48.2 | 43.7 | 3.0 | 5.4 | 49.0 | ** | 42.8 | 43.4 | 3.0 |
| Allied Health | 55.6 | 73.4 | 6.9 | 9.1 | 61.3 | 12.5 | 46.5 | 78.0 | 5.0 |
| Other | 46.4 | 86.4 | 4.1 | 15.4 | – | – | 31.0 | 86.4 | 4.1 |
| TOTAL | 1,495.2 | 56.3 | 7.8 | 451.8 | 45.6 | 9.1 | 1,043.4 | 63.0 | 6.9 |

*Totals may not add because of rounding.
**Less than .05 percent.
†Insufficient data to report percentage.

SOURCE: National Center for Education Statistics (NCES). Unpublished data, 1979.

treated with caution, however. First, since the data are derived from estimates by school administrators, unknown reporting errors may exist. Second, since some public school occupational programs allow students to earn academic credits, some of the "dropouts" may in fact be transfers into degree-granting programs. Studies utilizing actual follow-up surveys to obtain data from former students provide a more accurate picture.

## Training Related Employment and Satisfaction with Job or Training

Few researchers have attempted to gather proprietary student follow-up data on the national level. Such research is extremely costly, and the few extant studies have been limited to a small number of occupational areas. The most complete studies of this type are the alumni surveys by Wilms (1974) and Wolman et al. (1972), as reported by Jung, Campbell, and Wolman (1976). These studies involved intensive efforts to locate respondents and did not rely solely on voluntary responses to mailed questionnaires.

The Wilms study concentrated on 2,891 graduates of 6 occupational programs (accounting, computer programming, electronics technology, dental assisting, secretarial, and cosmetology) in 50 schools (29 proprietary, 21 public) located in 4 major metropolitan areas (San Francisco, Miami, Boston, and Chicago). The researchers located and interviewed 2,270 of the graduates, collecting data on their employment history, earnings, and job satisfaction as well as satisfaction with the training they had received. Categorizing jobs on the basis of occupational prestige, Wilms determined that only about 20 percent of graduates from either proprietary or public schools in the high prestige fields of accounting, programming, and electronics technology had obtained jobs in the field for which they had trained. Findings for the other 3 lower status occupational areas were more encouraging; most graduates who sought work in those fields found related employment.

These highly publicized findings were criticized on methodological grounds by Magisos (1976) and others. The critics pointed out that by restricting his definition of "training related" only to jobs of similar occupational prestige (e.g., if a computer programming graduate got a job as a computer operator, which had a lower prestige rating, this was classified as "unrelated"), Wilms had ignored the necessity of entry-level progression into most higher status jobs.

Some of Wilms' other findings were more revealing. In particular, Wilms demonstrated that for five out of six occupations studied, public school graduates were significantly more satisfied with their training than proprietary school graduates. In all six program areas, significantly fewer proprietary school

graduates (less than 65 percent) than public school graduates (90 percent) reported they would repeat their choice of school if given the opportunity.

Although the methodology of the Wolman study differed considerably from that of the Wilms study, Jung et al. (1976) reported similar findings regarding graduates' expressed satisfaction with their training. Researchers in the Wolman study mailed follow-up questionnaires to 13,549 graduates of 4 types of proprietary and nonproprietary programs (office, health, data processing, and technical) in 4 metropolitan areas (San Francisco, Atlanta, Rochester, and Chicago). Lists of 1969, 1970, and 1971 graduates' names and addresses were obtained from the directors of 34 proprietary and 12 nonproprietary schools representing virtually all of the schools in the 4 cities. Questionnaires were returned by 5,215 or 38.5 percent of the graduates. An intensive study of 500 nonrespondents, of which 77 percent were located, allowed for adjustments for nonresponse bias. Both proprietary and nonproprietary programs were found to be effective in preparing nearly 60 percent of their graduates for training related jobs. Unlike Wilms, the Wolman researchers allowed respondents to indicate whether their jobs were "related" to their training. More than 20 percent of the graduates reported they had never sought jobs after their schooling, and 10 percent of the graduates stayed in the job they had held prior to training.

Wolman's economic analyses showed all the programs to be cost beneficial to the students, with the exception of the proprietary data processing programs. The internal rates of return were 55 percent for nonproprietary graduates and 26 percent for proprietary graduates. Overall, nearly 60 percent of the employed nonproprietary graduates expressed satisfaction with their training, as compared to 33 percent of the employed proprietary graduates.

Generalizations drawn from these findings must be tempered by acknowledgment of changes in the labor market over the past five years and the nature of the occupations and geographic areas chosen for study. Nevertheless, in general, it appears that proprietary school graduates are less likely to evaluate their training favorably than are graduates of less costly and longer nonproprietary programs. Job outcomes are generally favorable, however, at least in terms of entry-level employment. This fact, coupled with the availability of federal financial assistance, partially accounts for the fact that proprietary school enrollments are continuing to grow in comparison with enrollments in public occupational programs.

## CONSUMER ABUSES AND GOVERNMENT REGULATION

### The Nature of Student Consumer Abuse

Since proprietary schools first began to participate in large-scale government financed training programs, there have been reported incidents of consumer abuse. Many of the reports have been generated by investigative journalists (e.g., Boston Evening Globe, 1974; Chicago Tribune, 1975; Washington Post, 1974). Such reports have proven, on further investigation (e.g., the Pugsley and Hardman 1975 investigation of the Boston Globe allegations) to have some basis in fact but usually less than headlined by their authors. In 1975, the American Institutes for Research (AIR), working under a contract from the U.S. Office of Education, investigated the nature of student consumer abuse in postsecondary schools (Jung et al., 1975, 1977a). The AIR researchers studied thousands of cases in which students had complained of being abused by schools. The result was the illustrated taxonomy of abusive practices included as Appendix B and summarized in table 9.

The fourteen types of abuse illustrated in table 9 represented institutional policies, practices, or conditions that had clearly misled students, deprived them of the opportunity to obtain the educational services they had been led to expect prior to enrollment, or failed to provide relevant facts that should have been disclosed. Following this study, the AIR researchers undertook an exploratory survey to determine the degree to which such policies, practices, and conditions normally exist in postsecondary schools. Working with a randomly selected sample of forty-five schools in three states, the researchers found that almost no school is totally free of some potential for abuse. Moreover, the overall level of occurrence was relatively low in all schools visited, although several schools refused to allow the AIR staff to review their policies, practices, and conditions. Proprietary vocational schools had a significantly higher potential for abusive practices, however, than did nonprofit or public vocational schools.

Other studies of abuse in proprietary schools have used different methods. The Education Commission of the States sponsored two national conferences on student consumer protection in 1974 and 1975. Congress held a series of hearings on alleged abuses in proprietary schools in 1974. Perhaps the most extensive study was that conducted by the staff of the Federal Trade Commission (FTC) in its effort to justify a stringent trade regulation rule applicable only to proprietary schools (Bureau of Consumer Protection, FTC, 1976). This study solicited testimony in a series of national hearings and sparked a continuing debate. At the state level, the New York State Consumer Protection Board

Table 9. Summary of Institutional Abuse Categories Derived from Student Complaint Analysis and Literature.

1. Inequitable refund policies and failure to make timely tuition and fee refunds.
2. Misleading recruiting and admissions practices.
3. Untrue or misleading advertising.
4. Inadequate instructional programs.
5. Unqualified instructional staff.
6. Lack of necessary disclosure in written documents.
7. Inadequate instructional equipment and facilities.
8. Lack of adequate job placement services (if promised), and lack of adequate follow-up of graduates.
9. Lack of adequate student orientation practices.
10. Inadequate housing facilities.
11. Lack of adequate practices for keeping student records.
12. Excessive instability in the instructional staff.
13. Misrepresentation or misuse of chartered, approved, or accredited status.
14. Lack of adequate financial stability.

SOURCE: Jung, S. M.; Hamilton, J. A.; Helliwell, C. B.; McBain, S. L.; and Fernandes, K. Study Design and Analysis Plan: Improving the Consumer Protection Function in Postsecondary Education (Technical Report AIR-52800-10/75-TR(1)). Palo Alto, CA: American Institutes for Research, 1975. ED 115 158

completed a highly publicized study in 1978 that accused the New York State Education Department of failing to regulate proprietary schools adequately. In order to understand the context of these studies, it is necessary to understand government regulations for proprietary schools.

## Roles of Governmental Regulatory Agencies

### State Agencies

State governments have basic powers to protect the rights and property of their citizens. Almost all states have Unfair or Deceptive Acts or Practices (UDAP) statutes designed to prevent abusive practices, theoretically including those in the education sector (Sheldon and Zweibel, 1977). A recent study of state oversight of postsecondary education (Jung et al., 1977b) demonstrated that state UDAP (and consumer fraud) laws and enforcement procedures are rarely used against educational institutions. The major regulatory action against abusive practices in most states is represented by the laws requiring educational institutions to be licensed or authorized by state agencies designated for this purpose. Jung et al. (1977b) provided an extensive review of these laws and the enforcement resources and capabilities of state licensing and authorizing agencies in every state. They found a great deal of activity in this area, and considerable variability in both needs for and stringency of oversight. Nevertheless, they concluded that extensive improvement is necessary in many states to bring existing coverage up to a minimum standard represented by a Model State Licensing Law developed in 1973 by the Education Commission of the States (see ECS Report No. 114, 1978).

In many states, accreditation plays a major role in determining the extent to which institutions are subjected to state licensing requirements. Jung et al. (1977b) reported that as of January 1, 1977, twenty-four states had statutory provisions allowing accredited nondegree-granting institutions to be fully or partially exempted from their basic institutional licensing requirements. Exemptions ranged from complete freedom from state oversight to slightly less extensive annual reporting requirements.

### Federal Agencies

Federal regulatory agencies enter the field of consumer protection via two very different avenues. First, and most directly, is through the authority of the Federal Trade Commission as granted by amendments to the Federal Trade Commission Act of 1914. The extent of this authority has been demonstrated by the

recent proposal of a trade regulation rule affecting proprietary nondegree-granting vocational and home-study schools ("Proprietary Vocational . . . ," 1978). This rule, intended to go into effect in 1980, is a more stringent version of a rule first promulgated in 1972. It would require: (1) hour-for-hour pro rata refund policies; (2) a fourteen-day cooling off period, during which students may decline enrollment and receive complete refunds; and (3) affirmative disclosure of program dropout rates for programs offered by proprietary schools. In addition, schools advertising that their programs result in employment outcomes must also affirmatively disclose their job-related placement rates, calculated on the basis of procedures prescribed by the Federal Trade Commission. The new rule has been contested in the courts by several proprietary school accrediting agencies (e.g., Joint Brief . . ., 1979), and was recently returned to the commission for revision by the Second Circuit Court of Appeals.

The other avenue through which federal influence is exercised in student consumer protection is through requirements enacted as a condition for institutional participation in federal financial assistance programs. For example, federal benefits to veterans who attend postsecondary programs are conditional upon approval of the programs by State Approval Agencies (SAAs), which were required by Congress and are funded by the Veterans Administration (VA) for the specific purpose of preventing some of the abuses that characterized veterans' benefits programs after World War II. Federal law does permit SAAs to exercise less stringent control over academic programs and to grant "blanket" approval for the programs of institutions accredited by "recognized" accrediting agencies. The process by which an agency becomes "recognized" for this purpose is administered by the U.S. Commissioner of Education.

## The "Tripartite" Eligibility System

Beginning with the 1952 Korean G.I. Bill (P.L. 82-550), Congress sought to reduce the incidence of student abuse in veterans' educational programs by allowing State Approving Agencies to utilize private, nongovernmental accreditation agencies as "reliable authorities" as to the quality of education or training offered by member educational institutions. The legality of this apparent federal delegation of authority to a private, nongovernmental agency in determining eligibility for federal funds has been questioned from time to time (e.g., Finkin, 1973), but its low cost to the government and protection from direct federal interference in setting educational standards have caused the same or similar wording to be used in more than twenty-five subsequent federal aid statutes (Division of Eligibility and Agency Evaluation, 1978).

The term "tripartite" was originally applied because, in addition to maintaining accreditation by a recognized agency, most of the federal eligibility statutes discussed above also require that institutions be (1) licensed or authorized by the state in which they are located and (2) comply with the federal regulations applicable to the particular aid program for which they seek eligibility. Until recently, state regulatory agency involvement has been uneven and direct federal involvement has been almost nonexistent.

The language of these laws requires the U.S. Commissioner of Education to publish periodically a list of the nationally recognized accreditation agencies deemed to be sufficiently reliable authorities. This "listing" or recognition requirement has also sparked controversy in recent years, particularly during the period from 1972 through 1976 when direct federal action to stem abuses seemed impossible (Bell, 1975). The U.S. Office of Education's institutional eligibility staff often found itself in a position of depending heavily on accreditation agencies to deal with student complaints, a position that came to be viewed with extreme concern by some of the agencies (Manning, 1977). The Association of Independent Colleges and Schools was sued for $4.5 million by a Texas school whose accreditation and hence eligibility were removed for alleged failure to meet AICS standards (see Fulton, 1975). In another case, a bill was introduced into Congress in 1975 containing language that, if enacted into law, could have forced accrediting agencies to investigate alleged consumer abuses and remove the accreditation of institutions found guilty (Bell and Pettis, 1975). This situation, in which the government is virtually dependent on nongovernmental accrediting agencies, was clearly not the situation envisioned by the founders of the tripartite eligibility system. It ultimately led to a flurry of federal activity designed to rectify the imbalances that had arisen. (For a more detailed discussion of the role of accreditation in the tripartite eligibility system, see Kaplin, 1975, and Trivett, 1976).

The largest federal programs of financial assistance to postsecondary education are administered by the U.S. Commissioner of Education through Title IV of the Higher Education Act of 1965. In Fiscal Year 1979, these programs amounted to slightly less than $4 billion, or about 15 percent of the total estimated cost of postsecondary education in the United States. A great deal of public concern was expressed during the period between 1972 and 1976 because of documented and alleged abuses of students who were receiving Basic Educational Opportunity Grants, Guaranteed Student Loans and other federal aids under these programs. Because of the rapid growth of these programs from 1972 on, the multifaceted system by which institutional eligibility for participation was established, and a general lack of any monitoring or enforcement capabilities, the federal government had little or

no way to eliminate abusive institutions from program participation. The only recourse available was to attempt to show criminal fraud (punishable under noneducational statutes) or request reviews of offending schools by accreditation agencies, in the hope that they might investigate and bring about voluntary self-improvements or remove accreditation and eligibility. Regulations promulgated in 1975 and 1977 under the Education Amendments of 1972 (for the Guaranteed Student Loan Program) and 1976 (for all Title IV programs), however, have resulted in considerably more direct federal authority to limit, suspend, or terminate the eligibility of institutions found to be in violation of federal program standards. A new Office of Compliance has been set up within the U.S. Office of Education's Bureau of Student Financial Assistance, with statutory authority to investigate and limit, suspend, or terminate eligibility in cases of failure to comply with standards of financial responsibility, administrative capability, and/or misrepresentation. The proposed regulations call for maintenance of appropriate student records; public disclosure of statistics regarding the employability of graduates; fair practices in advertising, recruiting, and admitting students; and fair and equitable refund policies ("Student Assistance Programs . . . ," 1978).

## Proprietary School Reactions to Government Regulation

Proprietary school administrators are usually among the first to admit that "bad apples" exist in their business. They are generally among the foremost proponents of reasonable government regulation. But they contend that regulatory standards should be applied equally to their nonproprietary competition. Such is not the case with the proposed FTC trade regulation rule that would compel proprietary schools to disclose dropout and placement rates while nonprofit or public occupational schools would not be required to do so.

There is also a trend for some proprietary schools to seek state authority to grant degrees, especially associate degrees, in business fields, applied sciences, and applied technologies. Although there are sound educational reasons for this (Carr, 1979), some school administrators have indicated they expect to avoid stringent state and federal government regulations, such as the FTC rule, which do not apply to degree-granting institutions.

In any case, it seems fair to conclude from the previous record that many if not all proprietary schools are offering educational programs which serve their clientele well, with actual student abuses confined to a small and probably diminishing minority of schools. The number of schools is declining, but enrollments appear to be growing despite the stringency of government oversight. This is a healthy sign for the industry.

## PROSPECTS FOR THE FUTURE

As competition for students becomes more intense during the next decade, the sometimes overly zealous solicitations on the part of proprietary schools will be joined by more strident "marketing" efforts on the part of nonproprietary institutions. Moreover, as more sophisticated government licensing and oversight mechanisms evolve and associations of school owners and operators develop at the state level, the proprietary school image is likely to improve, as more unethical operations are forced out of the marketplace.

Representatives of proprietary school associations, who have successfully contested the proposed FTC rule in court, privately indicate that if the rule did go into effect they would be forced to lobby actively for its application to all postsecondary occupational schools. The prospect of disclosing potentially misleading student dropout rates and job-related placement rates is not likely to appeal to public vocational education administrators any more than it does to proprietary school owners.

Assuming that the dangers posed by insensitive FTC regulation can be overcome, proprietary schools in the 80s may face a more subtle threat, that posed by the trend toward credentialism. When academic credentials and degrees are added to job skills as prerequisites for employment, predominantly nondegree-granting proprietary schools may be placed at a serious competitive disadvantage. One increasingly popular solution is for proprietary school owners to seek degree-granting privileges. Carr (1979), however, has shown that this practice is not without risk, as it often forces schools to abandon flexible programs and adopt more traditional academic practices for which they are not well suited.

Overall, proprietary schools will probably remain as successful but unlauded providers of postsecondary occupational training. Most will rely on their traditional assets of job-oriented courses that enable graduates to enter the labor market an average of four to six months sooner than graduates of public school programs. They will stress their successes in placing students in jobs, and will continue to benefit from increasingly generous federal assistance that helps students defray the considerable tuition differentials between their programs and publicly-subsidized programs. Even though the numbers of traditional college age students will decline, the numbers of older proprietary school candidates will increase slightly. Moreover, the predicted economic downturn of the early 1980s will influence even greater numbers of marginally employed adults to seek out new vocational skills in competing for better paying jobs and improved job security. Proprietary schools may be expected to recruit actively and successfully for these students.

## APPENDIX A[1]

Vocational/Technical--A school offering a wide variety of occupational programs or clusters of programs. Schools in this category may be considered multiprogram schools and are usually public schools.

Technical Institute--An institution (usually two-year) offering instruction on one or more of the technologies at a level above the skilled trades and below the professional level.

Business/Commercial School--A school offering programs in business occupations such as accounting, data processing, word processing, and secretarial. Special-purpose schools that offer the following programs are included: court reporting, finance, insurance, real estate, and sales.

Cosmetology/Barber School--A school offering programs in hairstyling for men and women and in the care and beautification of hair, complexion, and hands.

Flight School--A school offering programs for training in aircraft mechanics, commercial piloting, or in other technical fields related to aviation.

Trade School--A school offering training in one trade or craft or a single cluster of trades or crafts, such as auto mechanics, baking, bartending, carpentry, carpetlaying, commercial diving, cooking, dog grooming, drafting, fire protection, horseshoeing, locksmithing, meat processing, police training, truck driving, and welding.

Arts/Design School--A school offering training in the performing arts, such as acting, dance, music, and singing; creative design, such as commercial art, fashion design, floristry, interior design, photography; and radio/television broadcasting.

Hospital School--A hospital offering programs in paraprofessional health or medical fields, such as nursing or radiologic technology.

Allied Health School--A school (other than hospital school) offering programs in paraprofessional health or medical fields, such as dental assisting, medical assisting, practical nursing, and mortuary science.

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[1]SOURCE: Kay, E. R. Directory of Postsecondary Schools with Occupational Programs: 1978. Washington, DC: National Center for Education Statistics, 1979.

Junior/Community College--An institution offering the first two or three years of college instruction in occupational programs. It frequently grants a certificate or an associate degree but not a bachelor's degree.

College--An institution offering instruction at the college level leading to a bachelor's or higher degree. It frequently offers occupational programs leading to an associate degree, diploma, or certificate below the baccalaureate.

Other--Schools or institutions not classified in any of the above groups include schools of modeling, brewing, maritime occupations, and horsemanship.

## APPENDIX B[1]

Categories and Examples of Potentially Abusive Institutional Policies and Practices

A. Refund Policies and Practices

1. Institution does not have a written refund policy for fees or charges collected or obligated in advance of enrollment or class attendance.

2. Written refund policy is not publicly disseminated to students and prospective students.

3. Written refund policy does not tell students how to obtain refunds.

4. Written refund policy does not provide for at least partial return of student fees or charges based on the amount of instruction the student has had the opportunity to receive.

5. Written refund policy does not specify the maximum time allowed between the receipt of a valid refund request and the issuance of a refund.

B. Advertising Practices

1. Institution uses:

   (a) advertisements in "help wanted" section of newspapers, psuedo "talent" contests;

   (b) testimonials or endorsements by actors who did not attend the institution; or

   (c) limited time "discounts" to attract enrollees.

2. Advertising of the institution guarantees or implies that completion of an education or training program will lead to employment.

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[1]SOURCE: Jung, S. M.; Hamilton, J. A.; Helliwell, C. B.; McBain, S. L.; and Fernandes, K. Study Design and Analysis Plan: Improving the Consumer Protection Function in Postsecondary Education (Technical Report AIR-52800-10/75-TR(1)). Palo Alto, CA: American Institutes for Research, 1975. ED 115 158

3. Institution's advertising implies that it:

   (a) has special ties or connections with employers which it does not in fact have;

   (b) offers full or partial scholarships when in fact it offers only loans or deferred tuition;

   (c) has recognized experts on its teaching faculty who in fact have no teaching responsibilities; or

   (d) offers a "superior" educational program when in fact there is no comparative evidence to support the assertion.

C. Admissions Practices

1. Institution employs admissions representatives whose compensation or salary is dependent wholly or in part on direct commissions based on number of students enrolled.

2. Institution does not have a written policy governing recruiting and/or admission practices.

3. Written recruiting/admissions policy does not contain:

   (a) any prohibitions against unethical practices such as the "bait and switch" or the "negative sell";

   (b) a requirement that all prospective students talk to a representative of the institution at the school prior to enrolling; or

   (c) a requirement that all enrollees sign an agreement which describes complete costs, payment requirements, and educational services to be provided by the institution.

4. Institution does not provide remedial instruction in basic skills for students who are admitted without meeting stated admissions requirements.

D. Instructional Staff Evaluation Policies

1. Teaching competence is not included as one criterion in formal salary and/or tenure and/or rank review policies.

2. Evaluations of teaching competence do not include regular anonymous ratings by students.

E. Disclosure in Written Documents

1. Failure to disclose any of the following in general catalog, bulletin, or other basic information document:

   (a) name and address of school

   (b) date of publication of the document

   (c) school calendar including beginning and ending date of classes and programs, holidays, and other dates of importance

   (d) a statement of institutional philosophy

   (e) a brief description of the school's physical facilities

   (f) an accurate list of all courses actually offered

   (g) an indication of when specific required courses will not be offered

   (h) educational content of each course

   (i) number of hours of instruction in each course and length of time in hours, weeks, or months normally required for its completion

   (j) an accurate listing of faculty who currently teach

   (k) an indication of the distinction between adjunct or part-time faculty and full-time faculty

   (l) policies and procedures regarding acceptability of credits from other institutions

   (m) general acceptability by other institutions of credits earned at this institution

   (n) requirements of graduation

   (o) statement of certificates, diplomas, or degrees awarded upon graduation

   (p) statement of all charges for which a student may be held responsible

   (q) financial aid programs actually available to students

   (r) limitations on eligibility for financial aid programs

(s) grading system

(t) policies relating to: (1) tardiness (2) absences (3) make-up work (4) student conduct (5) termination (6) re-entry after termination

(u) student fee increases in excess of $25 that are planned within the next year

(v) for student loan applicants: (1) the effective annual loan interest rate; (2) loan repayment obligations; (3) loan repayment procedures; (4) time allowed for repayment; (5) deferment or cancellation provisions, if any; (6) collection procedures which might be applied in the event of failure to repay.

2. In the event of any of the following services or facilities are provided, failure to disclose their actual availability and extent:

(a) job placement and assistance or service

(b) counseling, including for employment, academic, and/or personal problems

(c) dining facilities

(d) housing facilities

(e) student parking facilities.

3. In the event the institution offers an educational program which leads to the award of degrees (or which results in credits which are transferable toward the award of degrees), failure to provide accurate descriptions of:

(a) recognition by a state agency as meeting established educational standards for granting degrees, if there is such an agency;

(b) the scope and sequence of required courses or subject areas in each degree program; and

(c) policies and procedures which students must follow to transfer credits within the institution and/or to other institutions.

F. Student Orientation Procedures

1. The institution does not conduct a formal orientation program for newly enrolled students.

2. Failure to include in this orientation the following:

   (a) oral presentations or written documents prepared by students who have been previously enrolled at the institution

   (b) instructions on how and where to voice student complaints and grievances

   (c) information on how and where to apply for student financial aid.

G. Job Placement Services and Follow-Through

1. In the event the institution claims to have a job placement service, this service does not include the following aspects:

   (a) notification of fee charged, if this is the case

   (b) formal training in job-seeking and job-holding skills

   (c) contacting prospective employers to develop potential jobs

   (d) making job interview appointments for individual students, including those seeking part-time employment and recent graduates.

2. In the event the institution claims to have a job placement service, the service is confined only to such services as distributing "help wanted" ads from newspapers or referral to a commercial placement service.

3. The institution does not regularly collect follow-up data on the employment success of former students who did not graduate, recent graduates, and/or longer term graduates.

4. Institution does not annually calculate the rates of student attrition from each identifiable program or curriculum area and does not attempt to determine the reasons for this attrition.

H. Recordkeeping Practices

1. The institution does not maintain the following items in its individual student records:

(a) total fees paid by the student

(b) courses taken and completed

(c) academic credits, grades earned

(d) financial aid amounts, including loans, if any, actually received by student and date of his/her receipt.

2. Institution does not have a written policy and actual procedures for maintaining individual student access to records for a period of at least two years following his/her departure from the institution, regardless of the operating status of the institution.

I. Turnover of Instructional Staff

1. Instructional staff are repeatedly replaced in the same sections/courses after instruction has begun.

2. Instructional staff are replaced in two or more sections/courses after instruction has begun.

J. Representation of Chartered, Approved, or Accredited Status

1. The institution fails to disclose to students and prospective students the fact(s) of limitation(s) or sanction(s) for noncompliance with designated standards imposed by local, state, or federal government agencies, if any exist.

2. The public representations of the institution fail to distinguish between (e.g., list separately, with appropriate explanations) institutional accreditation, specialized or professional program accreditation, state VA approving agency course approval, and state chartering and licensing, if any are present.

K. Financial Stability

1. If the institution is not publicly-supported, it does not have the following:

(a) an endowment or retained earnings fund to pay current operating expenses if they are not covered by student tuition receipts

(b) a reserve of funds sufficient to pay out tuition refunds as students make legitimate requests for them.

2. The institution's financial records and reports are not annually subjected to a certified audit.

L. Instructional Programs in Occupational/Professional Preparation Areas

1. The institution does not maintain curriculum advisory committees which include representatives of potential employers in each occupational/professional area for which instruction is offered.

2. The institution does not provide the following, when they are required for employment of graduates in an occupational/professional area:

   (a) specialized/professional program accreditation

   (b) training in the use of basic tools and equipment

   (c) internships and/or supervised practice on the job

   (d) internships and/or supervised practice in simulated job situations

   (e) instruction on topics necessary for state or professional certification of graduates.

3. The institution does not require a biannual review of the relevance and timeliness of occupational/professional curricula.

M. Instructional Equipment and Facilities in Occupational/Professional Preparation Areas

1. The institution does not maintain advisory committees on instructional equipment and facilities which include representatives of potential employers in each occupational/professional area for which instruction is offered.

2. The institution does not annually budget and expend funds for replacing worn or outdated instructional equipment in each occupational/professional area for which instruction is offered.

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